

Message Text

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46

ACTION SS-30

INFO OCT-01 ISO-00 SSO-00 /031 W
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O 101102Z JAN 74

FM AMEMBASSY JIDDA

TO SECSTATE WASHDC IMMEDIATE 5850

S E C R E T JIDDA 102

EXDIS

DEPT PLS PASS SECRETARY FROM AMBASSADOR

E.O. 11652: GDS

TAGS: ENRG, SA

SUBJECT: OIL PRICES

REF: (A) JIDDA 5717; (B) JIDDA 36

1. OMAR SAQQAF, SAUDI MINISTER OF STATE FOR FOREIGN AFFAIRS, TOLD AMBASSADOR YESTERDAY EVENING (JAN 9) THAT SAUDI PETROLEUM MINISTER AHMAD ZAKI YAMANI HAD BEEN INSTRUCTED TO TAKE POSITION IN THE ARAB OIL MINISTERS MEETING IN GENEVA JAN 8 THAT:
A) THE OPEC PRICE INCREASES WERE TOO HIGH; B) THE SAUDI POSITION AT TEHRAN HAD BEEN VINDICATED BY EVENTS; C) IMMEDIATE IMPOSITION OF THE HIGH NEW TAX STRUCTURE WOULD PROVOKE A WORLD DEPRESSION WHICH WOULD NOT BE IN THE INTERESTS OF SAUDI ARABIA OR ANY OTHER OIL PRODUCER; D) THE NEW TAXES WOULD BE DISASTER FOR THE UNDERDEVELOPED WORLD; AND E) OPEC SHOULD ADMIT ITS ERROR AND REDUCE TAXES. THIS ACTION COULD BE CONNECTED WITH A SCHEDULED INCREASE IN TAXES OVER THE NEXT FEW YEARS AND SOME TIE TO COST OF IMPORTED PRODUCTS AND ULTIMATELY TO THE COST OF ALTERNATIVE ENERGY.

2. SAQQAF SAID THAT YAMANI WAS INSTRUCTED TO TELL THE OTHER OPEC COUNTRIES THAT IF THEY DID NOT AGREE,
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SAUDI ARABIA WOULD UNILATERALLY DECLARE A LOWER TAX BASE.

3. HE SAID HE HAD NOT YET RECEIVED A REPORT OF HOW THE MEETING WENT OR OF ANY OF THE MEETING'S

DECISIONS. HE ASSUMED IT WAS INCONCLUSIVE. (WE
NOTE THIS MORNING'S PRESS REPORT THAT GENEVA
DECISION WAS TO FREEZE PRICES UNTIL MAY.)

4. COMMENT: YAMANI'S INSTRUCTIONS WERE PROBABLY
AS CLEAR AS OUTLINED ABOVE BUT WE ARE LESS THAN
CERTAIN THAT HE CARRIED THEM OUT VIGOROUSLY,
PARTICULARLY PARAGRAPH TWO. YAMANI AND THE OTHER
OIL MINISTERS MUST KNOW THAT A UNILATERAL SAUDI
ACTION WOULD MEAN THAT THE OIL COMPANIES WOULD
SELL AT THE WORLD PRICE; THEY WOULD POCKET
THE DIFFERENCE AND MOST CONSUMERS WOULD NOT
BE HELPED. THE ONLY CONSUMERS TO BENEFIT
DIRECTLY BY SUCH ACTION WOULD BE GOVERNMENT
OIL COMPANIES BUYING DIRECTLY FROM THE SAUDI
GOVERNMENT, E.G. THE FRENCH IN THIS RECENT DEAL
WITH SAG.
AKINS

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